

Public Disclosure Authorized

CONFORMED COPY

LOAN NUMBER 8033-TR

Loan Agreement

**(Additional Loan for Istanbul Seismic Risk Mitigation and Emergency Preparedness
Project)**

between

REPUBLIC OF TURKEY

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated August 4, 2011

LOAN AGREEMENT

Agreement dated August 4, 2011, between REPUBLIC OF TURKEY (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) for the purpose of providing additional financing for the Original Project (as defined in the Appendix to this Agreement). The Borrower and the Bank hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — LOAN

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of one hundred and nine million eight hundred thousand Euro (€109,800,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount. The Borrower shall pay the Front-end Fee not later than 60 days after the Effective Date.
- 2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.

- 2.05. The Payment Dates are February 15 and August 15 in each year.
- 2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.
- 2.07. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa, or from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate.
- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

ARTICLE III — PROJECT

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out the Project through the ISPA in accordance with the provisions of Article V of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — TERMINATION

- 4.01. The Effectiveness Deadline is the date one hundred twenty (120) days after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Borrower's Representative is Undersecretary of Treasury.

5.02. The Borrower's Address is:

Basbakanlik
Hazine Mustesarligi
Inonu Bulvari
Emek-Ankara
Turkey

Facsimile:

(90) (312) 204-7366

(90) (312) 204 7367

5.03. The Bank's Address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

Telex:

Facsimile:

INTBAFRAD
Washington, D.C.

248423(MCI) or
64145(MCI)

1-202-477-6391

AGREED at Ankara, Republic of Turkey, as of the day and year first above written.

REPUBLIC OF TURKEY

By /s/ Evren Dilekli

Authorized Representative

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By /s/ Florian Fichtl

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to assist the Borrower in improving the city of Istanbul's preparedness for a potential earthquake, through enhancing the institutional and technical capacity for disaster management and emergency response, strengthening critical public facilities for earthquake resistance, and supporting measures for better enforcement of building codes.

The Project consists of the Original Project with Parts A.3 and B.1 being modified to read as follows:

Part A: Enhancing Emergency Preparedness

“3. Strengthening the institutional capacity of the Provincial Directorate for Disaster and Emergency Management by providing support to develop its organizational capacity, operational plans and procedures.”

Part B: Seismic Risk Mitigation for Priority Public Facilities

“1. Retrofitting or reconstruction of priority public facilities, including hospitals, clinics, schools, administrative buildings, student dormitories, social service facilities and infrastructure.”

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. The Borrower shall cause the ISPA to maintain the IPCU throughout Project implementation under terms of reference acceptable to the Bank and with sufficient and suitable human, financial and technical resources.
2. The IPCU shall have the overall responsibility for day-to-day Project implementation, including:
 - (a) preparation of work programs and budgets under the Project;
 - (b) coordination of the Project activities with different ministries and agencies;
 - (c) management of Project financial arrangements;
 - (d) ensuring preparation of bidding and contract documents in accordance with agreed procurement procedures and management of procurement procedures under the Project;
 - (e) supervision of implementation of work programs under the Project; and
 - (f) preparation and furnishing to the Bank of progress reports on Project implementation prepared in accordance with guidelines acceptable to the Bank.
3. The Borrower shall, through the ISPA, maintain the Project Steering Committee throughout the implementation of the Project to provide inter-agency coordination, oversight and policy guidance for overall implementation of the Project.
4. The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruptions Guidelines issued by the Bank on October 15, 2006, and revised in January 2011, which are applicable to all IBRD loans and IDA credits and grants.

B. Project Implementation Protocols

1. The Borrower shall, for the purposes of carrying out the Project, make the proceeds of the Loan available to the ISPA under a Project Implementation Protocol to be entered into between the Undersecretariat of Treasury and the ISPA, in accordance the Republic of Turkey Council of Minister's Decree Number 2011/1410 dated February 8, 2011, concerning financing of the Istanbul Seismic Risk Mitigation and Emergency Preparedness Project.
2. The Borrower shall exercise its rights under the Project Implementation Protocol in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan.
3. For the purpose of coordinating Project activities, the Borrower, through the ISPA, shall enter into protocols with the relevant public agencies and maintain such protocols throughout the implementation of the Project.

C. Safeguards.

1. The Borrower, through the ISPA, shall: (a) ensure that all measures for the carrying out of the EMP shall be taken in a timely manner; and (b) furnish to the Bank in accordance with a schedule acceptable to the Bank adequate information on the carrying out of such measures.
2. The Borrower, through the ISPA, shall obtain the Bank's no-objection for each public facility to be reconstructed under Part B.1 of the Project.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

1. The Borrower, through the ISPA, shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of indicators acceptable to the Bank. Each Project Report shall cover the period specified in paragraph 2 of this Section II.A and shall be furnished to the Bank on the dates specified in the same paragraph.
2. Without limitation to paragraph 1 of this Section II.A, the Borrower, through the ISPA, shall:
 - (a) for each calendar year of Project implementation, prepare and furnish to the Bank: (i) not later than August 31, a proposed annual work program and the budget, which shall discuss, *inter alia*, planned activities and expenditures during the next year; and (ii) not later than March 31 and

September 30, a Project Report covering implementation of the Project during the preceding six (6) month period; and

- (b) for each calendar year of Project implementation; (i) review with the Bank and thereafter adopt, not later than November 30, the annual work program and the budget for the next calendar year, taking into account the Bank's recommendations; and (ii) carry out semi-annual reviews, together with the Bank and other relevant third parties, of the progress in the implementation of the Project during the preceding six (6) month period, and thereafter, take all measures required to carry out the measures resulting from the recommendations agreed upon by the Bank to ensure the implementation of the Project and the achievement of the objectives thereof during the six (6) month period following such date.

B. Financial Management, Financial Reports and Audits

1. The Borrower, through the ISPA, shall maintain a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Borrower, through ISPA, shall prepare and furnish to the Bank not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the calendar quarter, in form and substance satisfactory to the Bank.
3. The Borrower, through the ISPA, shall have the Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period.

Section III. Procurement

A. General

1. **Goods, Works and Non-consulting Services.** All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.

3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding procedures.
2. **Other Methods of Procurement of Goods, Works and non-consulting services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<u>Procurement Method</u>
(a) National Competitive Bidding subject to the additional provisions set forth in the Annex to this Schedule.
(b) Shopping
(c) Direct Contracting

Logistical and organizational services for training shall be procured under contracts awarded on the basis of National Competitive Bidding or Shopping procedures. Training activities in the form of study tours, or participating in national or international workshops and training programs shall be procured in accordance with the procedures agreed with the Bank

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following table specifies the methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method
(a) Selection under a Fixed Budget
(b) Least Cost Selection
(c) Selection based on Consultants' Qualifications
(d) Single-source Selection
(e) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants
(f) Sole Source Procedures for the Selection of Individual Consultants

D. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. All other contracts shall be subject to Post Review by the Bank.

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

Category	Amount of the Loan Allocated (expressed in Euro)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Works, goods and Technical Services	98,100,000	100%
(2) Consultants' services and Training	9,510,000	100%
(3) Incremental Operating Costs	2,190,000	100%
TOTAL AMOUNT	<u>109,800,000</u>	

3. For the purposes of this Schedule:

- (a) the term "Incremental Operating Costs" means expenditures incurred to finance the reasonable and necessary incremental expenses incurred by the Borrower, through the IPCU, including staff salaries (excluding salaries of government employees) on account of Project implementation, management and monitoring;
- (b) the term "Technical Services" means services for conducting topographical and geological surveys, preparation of maps and other services to be conducted under the Project on the basis of performance of measurable physical outputs; and
- (c) the term "Training" means expenditures incurred to finance the cost of workshops, and related travel expenditures, accommodation and per diem allowances provided to the participants and trainers in such training, including the fees for trainers.

B. Withdrawal Conditions; Withdrawal Period

- 1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made from the Loan Account until:
 - (a) the Bank has received payment in full of the Front-end Fee; and
 - (b) the Project Implementation Protocol has been executed in accordance with paragraph 1 of Section I.B. of Schedule 2 to this Agreement.

2. The Closing Date is December 31, 2014.

Annex to
SCHEDULE 2

**Mandatory Provisions for Procurement under Bank-Financed Contracts
Subject to National Competitive Bidding**

The Borrower shall use the Bank's Europe and Central Asia Region National Competitive Bidding documents template for goods and works and apply the following provisions in the carrying out of National Competitive Bidding procedures under the Project:

A. Eligibility

Bidding shall not be restricted to domestic bidders. No restriction shall be applied to foreign bidders who wish to submit a bid.

B. Procedures

Invitations to bid shall be advertised in the Official Gazette or in at least one widely circulated national daily newspaper or in an electronic portal of free access allowing a minimum of thirty (30) days for the preparation and submission of bids.

C. Assessment of Bidders' Qualifications

In the procurement of goods and works, where pre-qualification is not used, the qualifications of the bidder who is recommended for award of contract shall be assessed by post-qualification, applying minimum experience, technical and financial requirements which shall be explicitly stated in the bidding documents and which shall be determined by a 'pass/fail' method, not through use of a merit point system.

D. Participation by Government-owned Enterprises

Government-owned enterprises in the Republic of Turkey shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law and are not a dependent agency of the Government. Furthermore, they will be subject to the same bid and performance security requirements as other bidders.

E. Participation by Joint Ventures

Participation shall be allowed from joint ventures on the condition that such joint venture partners will be jointly and severally liable under the contract.

F. Bidding Documents

Procuring entities shall use the Bank's sample National Competitive Bidding documents for Europe and Central Asia Region for works and goods and shall draft contract and conditions of contract acceptable to the Bank.

G. Bid Evaluation

- (a) Evaluation of bids shall be made in strict adherence to the monetarily quantifiable criteria declared in the bidding documents and a merit point system shall not be used.
- (b) Extension of bid validity shall be allowed once only for not more than thirty (30) days. No further extensions should be requested without the prior approval of the Bank.
- (c) Contracts shall be awarded to qualified bidders having submitted the lowest evaluated substantially responsive bid.
- (d) No preference shall apply under National Competitive Bidding.

H. Price Adjustment

Civil works contracts of long duration (i.e., more than eighteen (18) months) shall contain an appropriate price adjustment clause.

I. Rejection of All Bids

All bids shall not be rejected and new bids solicited without the Bank's prior written concurrence.

J. Contracts

All contracts shall be in writing, signed and stamped by authorized signatories of the purchaser and the supplier and shall contain identical terms and conditions of contract to those included in the tender documents.

K. Securities

Bid Securities should not exceed 3% (three percent) of the estimated cost of the contract; Performance Securities not more than 10% (ten percent). No advance payments shall be made to the Suppliers without a suitable Advance Payment security. The wording of all such securities shall be included in the bidding documents and shall be acceptable to the Bank.

SCHEDULE 3

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (“Installment Share”). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

Principal Payment Date	Installment Share (Expressed as a Percentage)
On each February 15 and August 15 Beginning February 15, 2017 through August 15, 2040	2.04%
On February 15, 2041	2.08%

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:
 - (a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.
 - (b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (“Original Installment Share”) and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.
 - (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.
4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

APPENDIX

Section I. Definitions

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006 and May 2010.
4. “EMP” means the Environmental Management Plan dated February 24, 2005 and amended on December 3, 2010, acceptable to the Bank, describing the environmental and cultural heritage mitigation, monitoring and institutional measures for the Project.
5. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 31, 2010.
6. “Governorship of Istanbul” means the Borrower’s Governorship of Istanbul.
7. “IPCU” means the Istanbul Project Coordination Unit established within the ISPA for overall Project implementation and supervision.
8. “Istanbul Special Provincial Administration” and “ISPA” mean the Special Provincial Administration of Istanbul operating pursuant to the Borrower’s Law No. 5302, dated March 4, 2005.
9. “Original Loan Agreement” means the Loan Agreement for the Istanbul Seismic Risk Mitigation and Emergency Preparedness Project between the Borrower and the Bank dated October 18, 2005 (Loan 4784-TU), as amended.
10. “Original Project” means the Project described in Schedule 2 of the Original Loan Agreement.
11. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006 and May 2010.
12. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated March 3, 2011, and referred to in paragraph 1.16 of the Procurement

Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

13. “Project Implementation Protocol” means the protocol to be entered between the Undersecretariat of Treasury and the Special Provincial Administration in accordance with paragraph 1 of Section I.B. of Schedule 2 to this Agreement.
14. “Project Steering Committee” means the committee established to oversee Project implementation and provide policy guidance.
15. “Provincial Directorate for Disaster and Emergency Management” means the Provincial Directorate for Disaster and Emergency Management established on December 17, 2009, by High Commission for Disasters and Emergencies to succeed Disaster Management Center that was established on January 1, 2000, under the Governorship of Istanbul responsible for disaster management.